

Information:

The Council approved the 2000-02 operating and capital projects recommendations at its November 8 meeting. Those recommendations were formally submitted to the Governor and Legislative Research Commission. The Strategic Committee on Postsecondary Education met November 30 to discuss the Council's recommendations. The Governor and his staff are developing the Executive Budget recommendations that are scheduled to be presented to the General Assembly January 25.

The Council staff is developing an analysis of postsecondary education funding since passage of the reform act in 1997. The analysis will include a comparison of the Council 2000-02 budget recommendations and the official revenue estimates for the next biennium. This analysis will be mailed to Council members next week and will be discussed at the January 24 Finance Committee meeting.

POSTSECONDARY EDUCATION FUNDING IN THE BUDGET SINCE HOUSE BILL 1

Agenda Item E-1
January 24, 2000

Information:

The passage of House Bill 1 during the May 1997 Special Session of the General Assembly resulted in a major shift in the priority accorded postsecondary education in the statewide budgetary process. Several charts and graphs that follow illustrate this situation.

The following is a brief summary of some of the significant milestones of this new budgetary emphasis:

- House Bill 4, passed in May 1997, provided an additional \$38 million to postsecondary education for fiscal year 1998.
- For fiscal year 1999, the postsecondary education General Fund budget enacted by the General Assembly totaled \$945.4 million and for fiscal year 2000, the postsecondary education General Fund budget enacted by the General Assembly totaled \$1,015.3 million. Over this two-year period, postsecondary education appropriations grew by 27.3 percent while total statewide General Fund appropriations grew by 13.4 percent.
- For the 2000-02 biennium, the postsecondary education budget requests grow by 15.5 percent while total state appropriations, based on the Consensus Forecast Group's final revenue estimate, will grow by only 9.0 percent.
- In the original fiscal year 1998 budget, before the May 1997 Special Session on postsecondary education reform, postsecondary education accounted for 13.9 percent of the total General Fund budget. Assuming that the Council budget request and the Kentucky Higher Education Assistance Authority budget request are fully funded and using the Consensus Forecast Group's most recent revenue estimate as a proxy for total statewide appropriations, by fiscal year 2002 postsecondary education will account for 16.6 percent of the total General Fund statewide budget.
- Finally, in addition to the recurring appropriations enacted by the General Assembly in 1998, postsecondary education received \$120.8 million, or 28 percent of the statewide total of \$430.6 million, from the Surplus Expenditure Plan, including \$110 million for the Research Challenge and Regional Universities Excellence Endowments. In the 1998-2000 biennium, postsecondary education also received \$474.8 million, or 43.5 percent, of the statewide total of \$1,091.9 million in new debt authorized.

Summary Conclusion: Since the passage of House Bill 1, the General Assembly, at the request of the Governor, has appropriated significant new funds to the system of postsecondary education through the mechanisms of institutional base adjustments, incentive trust funds, capital projects, endowment funds, and debt issuance. Among major policy areas, postsecondary education, over

the past two and one-half years, has become the major budget priority of state government. Funding the Council's 2000-02 budget request will ensure that the existing budget momentum for postsecondary education is sustained over the next two years.

The Council staff will continue its work on this issue throughout the 2000 session of the General Assembly and will provide a more detailed report on the legislative status of the budget at the March Council meeting.

Staff Preparation by Ken Walker and Ron Carson